

Message Text

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USDOC FOR (OED/FISS)

E.O. 11652: N/A

TAGS: BEXP, ETRD, NI

SUBJECT: INVESTMENT OPPORTUNITY: 500-ROOM HOTEL ON LAGOS-
BADAGRY HIGHWAY

REF: A. LAGOS 5528

B. STATE 128970

1. OED/FISS MAY WISH TO MAKE FOLLOWING POINTS IN DISCUSSIONS
WITH US HOTEL FIRMS.

2. OXY-HOLIDAY CONTRACT: SEEMS TO BE MISUNDERSTANDING ABOUT

TERMS OF CONTRACT BETWEEN LAGOS STATE AND OXY-HOLIDAY OF
AFRICA. ACCORDING TO LAWYERS WHO PUT CONTRACT TOGETHER,
EXCLUSIVITY CLAUSE PROVIDES THAT NEITHER LAGOS STATE NOR
OXY-HOLIDAY WILL TAKE EQUITY PARTICIPATION IN ANY
INTERNATIONAL HOTEL WITHIN 45 MILES OF LAGOS WITHOUT GIVING
OTHER FIRST PARTNERSHIP OPTION. THIS DOES NOT PREVENT
OTHER INTERNATIONAL HOTELS FROM BEING BUILT IN LAGOS, NOR
DOES IT EVEN PREVENT LAGOS STATE GOVERNMENT FROM
ENTERING INTO JOINT VENTURE FOR SUCH HOTELS, AS LONG
AS OXY-HOLIDAY GIVEN FIRST OPTION.

3. LOCATION: PROPOSED HOTEL SITE NOT LOCATED IN BADAGRY

AS IMPLIED REF (B). IT IS RATHER ON OUTSKIRTS OF LAGOS,

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ALONG NEW LAGOS-BADAGRY HIGHWAY. AVERAGE DRIVING TIME TO
DONWTON DISTRICT APPROXIMATELY 15 MINUTES, WHICH MAKES

SITE CLOSER IN TERMS OF TIME THAN MOST EXISTING INTERNATIONAL HOTELS, AT LEAST DURING PEAK TRAFFIC PERIODS. DISTANCE APPROXIMATELY 8 MILES FROM CENTRAL LAGOS.

4. LONG-RANGE POTENTIAL: THIS OF COURSE FOR HOTEL FIRMS

TO JUDGE. BUT FOLLOWING POINTS WORTH CONSIDERING: (A) ADJACENT TRADE CENTER COMPLEX, TO BE ERECTED AT COST OF DOLS 69 MILLION, IS NOT TEMPORARY BUT PERMANENT. WHILE REALISTIC PROSPECT FOR CONTINUAL USE OF COMPLEX IS OF COURSE ONE FACTOR TO BE CLOSELY EVALUATED, MINISTRY OF TRADE CURRENTLY PROJECTS ONE INTERNATIONAL TRADE FAIR ON SITE EVERY TWO YEARS: SPECIALIZED TRADE FAIRS AT LEAST THREE TIMES PER YEAR: AND MINOR EVENTS SUCH AS CULTURAL SHOWS, ETC., ON MORE FREQUENT BASIS: (B) NEW LAGOS-BADAGRY HIGHWAY, FOUR LANES WIDE AND FREE OF CONGESTION, COULD EMERGE AS VERY ATTRACTIVE INDUSTRIAL-COMMERCIAL-RESIDENTIAL AXIS AS LAGOS EXPANDS FROM PRESENT CRAMPED QUARTERS. AS REPORTED REF A, DEVELOPMENT THIS AXIS KNOWN TO BE PROJECT OF CONSIDERABLE INTEREST TO LAGOS STATE GOVERNOR MOBOLAJI JOHNSON: (C) CONSIDERING SERIOUS SHORTAGE HOTEL SPACE IN LAGOS, WHICH LIKELY TO CONTINUE FOR FORESEEABLE FUTURE, 15-MINUTE DISTANCE FROM DOWNTOWN DISTRICT WOULD NOT APPEAR TO CONSTITUTE INSUPERABLE HANDICAP.

5. EQUITY CONTRIBUTION: PROBLEM OF RAISING EQUITY

IS OF COURSE REAL ONE. PAST EXPERIENCE SUGGESTS THAT INTERNATIONAL HOTEL CHAINS WISHING TO TAKE ADVANTAGE OF NIGERIAN MARKET NOT LIKELY TO BE PERMITTED TO DO SO -- IN LAGOS, AT LEAST -- WITHOUT PROVIDING SIGNIFICANT PORTION OF EQUITY. HOWEVER, THIS EQUITY PORTION ALMOST CERTAINLY OPEN TO NEGOTIATION. (OXY-HOLIDAY, WHICH CONTRIBUTED 49 PERCENT, APPARENTLY FELT RISK JUSTIFIED BY POTENTIAL BENEFITS BUT WE UNDERSTAND INTERCONTINENTAL ENVISAGING CONSIDERABLY LOWER EQUITY HOLDING.)

6 FOR HOTEL FIRMS INTERESTED IN PURSUING THIS OPPORTUNITY, CORRESPONDENCE SHOULD BE ADDRESSED TO: J.A. ADEYEYE
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ACTING PERMANENT SECRETARY/FEDERAL MINISTRY OF TRADE/
YAKUBU GOWON STREET/LAGOS.
REINHARDT

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